UNDP

UNITED NATIONS DEVELOPMENT PROGRAMME

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DP/PROJECTS/7446

ENGLISH

APPROVAL OF UNDP ASSISTANCE TO A REGIONAL PROJECT OF EUROPE

IPF:(1992-96) $4 200 000

(RER/93/005) - Turn Around Management Programme (TAM)

Date of approval by the AC:[1/]	27 January 1993
Expected duration:	Two years
Proposed executing agency:	European Bank for Reconstruction and Development (EBRD)
Government implementing agency:	Designated Government Agency in each country concerned
Proposed UNDP contribution:	$1 300 000 Source of funds: (IPF: $500 000) (SPR: $400 000) (GIP: $400 000)
Previous UNDP contribution:	$0 500 000
Total UNDP budget:	$1 800 000

Project background

After half a century of centralized planning and administration, the transformation of the countries of Central and Eastern Europe and the CIS into democratic societies and market economies requires them to undergo profound economic change. The transformation into a market economy and the privatization process is a complex social and economic one, changing the way every company is run and every business decision is made. Falling Eastern export sales and shrinking domestic subsidies combined with seriously inadequate management practices and procedures, now exposed by open market competition with the West, threaten the survival of thousands of existing enterprises. While 10 percent are most probably going to easily find buyers and be privatized, up to 50 percent, those enterprises of interest to this project, can best be described as potentially salvageable.

Countries of the region are introducing new policies, laws and regulations aiming at macro-economic stabilization, price liberalization, currency convertibility, trade and banking reforms, labour deregulation, privatization programmes, and appropriate legal and social measures to support these changes. Assistance to strengthen privatization and management capacity is regarded by many as one of the highest priorities for them to succeed in this transition. The lack of direct experience of leadership and management within a competitive market economy constitutes a major impediment to success. Most enterprises are

[1/] **This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.**

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not in any condition to attract investors, to be restructured or to be privatized; however, many are potentially viable in a market environment and could be salvaged, but only from within and if done quickly. The national management consultancy industry also needs to be strengthened to enable them to acquire the managerial skills essential in addressing key management issues in public enterprises in the future.

Description of project

The TAM Programme is aimed at resolving the need two major underlying factors of the difficulties these enterprises face for: (1) management capacity-building in the local business leadership; and (2) enhancement of the skills of national management consultants, academics and policy makers. The countries concerned must be helped to move from a central regulated economy to a market economy in building new and strong, public and private institutions that will survive and flourish in a competitive society while simultaneously helping the countries to anticipate and address the hazards associated with radical economic tranformation, thereby serving the broader objective of sustainable growth with a healthy business sector that is seen as a key to the development of democracy in these countries.

The immediate objectives of the project are to: (a) support the restructuring of state-owned enterprises and develop their capacity to pared in an open-market economy through training of the leaders of large and medium enterprises that appear salvageable and have growth potential to be competent managers of their respective businesses, and able to operate effectively in an open market; and (b) enhance the local management consultancy and academic capacity.

Inputs

UNDP will provide 84 work-months for four management professionals and 80 work-months for four support personnel to serve in the core TAM Management Unit; 31 work-months for consultancies as part-time Recruitment Directors; and a small portion of the miscellaneous costs.

EBRD will provide an in-kind contribution estimated at (US) $300,000 to provide all the facilities, equipment, and most of the administrative costs of the project; and EC/PHARE will provide an in-kind contribution estimated at $100,000 for the services of one professional member of the Core Management Unit.

Financial data

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Personnel	1 237 000
Miscellaneous	63 000
Total	1 300 000

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